

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

SMITHKLINE BEECHAM	:	CIVIL ACTION
CONSUMER HEALTHCARE, L.P.	:	
	:	
v.	:	
	:	
COLGATE-PALMOLIVE CO.	:	NO. 99-2533

**MEMORANDUM**

Giles, C.J.

May\_\_\_\_, 2000

Colgate-Palmolive Co. (“Colgate”) seeks attorneys’ fees from Smithkline Beecham Consumer Healthcare, L.P. (“Smithkline”) pursuant to the fee-shifting provision of the Patent Act, 35 U.S.C. § 285, which provides for the award of attorneys’ fees to the prevailing party in “exceptional cases.” This claim is made in connection with alleged misconduct on the part of Smithkline during the litigation of a patent infringement suit where the court granted summary judgment in favor of Colgate. For the reasons that follow, Colgate’s Motion for the Award of Attorneys’ Fees is denied.

**BACKGROUND**

**Procedural History**

In June 1999, Smithkline moved to enjoin Colgate from marketing its NAVIGATOR™ toothbrush, which Smithkline contended infringed its patent, U.S. Patent No. 5,651,158 (the “158 patent” or “the patent”). In its response to Smithkline’s request for an injunction, Colgate moved for partial summary judgment of non-infringement. Smithkline’s motion for a injunctive relief was denied after a hearing on June 16, 1999. On December 22, 1999, summary judgment was granted in favor of Colgate on the issue of non-infringement.

On January 4, 2000, Smithkline moved for the entry of final judgment on the issue of non-infringement pursuant to Fed. R. Civ. P. 54 and 58 so that it could appeal. On February 25, 2000, Colgate filed a motion seeking the award of attorneys' fees and costs under the fee-shifting provision of the Patent Act, 35 U.S.C. § 285. In its motion for fees, Colgate alleged that Smithkline engaged in such extreme misconduct throughout the course of the litigation that Colgate should be reimbursed for the costs it incurred defending this action. During a hearing on the fee issue on March 20, 2000, the parties stipulated that if fees and costs were awarded by the court, the parties would submit the amount of the award to binding arbitration such that there could be a prompt entry of final judgment.

## **DISCUSSION**

### **Analysis**

#### **I. Governing Law and Standard of Review**

Section 285 of the Patent Act, 35 U.S.C. § 1, et seq., provides that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party [in a patent infringement suit].” 35 U.S.C. § 285. Courts have long concluded from the phrase “exceptional case,” and the legislative history of the provision, that attorneys’ fees “should not be awarded as a matter of course, nor as a penalty against the loser who followed conventional procedure.” Jacquard Knitting Mach. Co. v. Ordnance Gauge Co., 213 F.2d 503, 508-509 (3d Cir. 1954); see also Pennsylvania Crusher Co. v. Bethlehem Steel Co., 193 F.2d 445, 450-51 (3d Cir. 1951) (stating that the legislative history of the 35 U.S.C. § 285 makes it clear that even though the trial judge is given discretion, “there was no intention that attorneys’ fees be awarded in patent cases

as a matter of course.”). Fees should be awarded only “upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner of the particular law suit be left to bear the burden of his own counsel fees which prevailing litigants normally bear.” R. M. Palmer Co. v. Luden’s, Inc., 236 F.2d 496, 501-02 (3d Cir. 1956) (internal quotation marks omitted).

The party seeking the reimbursement of fees under 35 U.S.C. § 285 must establish that its case is “exceptional” by the proffer of “clear and convincing evidence.” See Carroll Touch, Inc. v. Electro Mechanical Sys., Inc., 15 F.3d 1573, 1584 (Fed. Cir. 1993) (applying “clear and convincing” evidence standard to exceptional case analysis); Reactive Metals & Alloy Corp. v. ESM, Inc., 769 F.2d 1578, 1582 (Fed. Cir. 1985) (stating that “quantum of proof required to prove bad faith is clear and convincing evidence” in 35 U.S.C. § 285 case); Hycor Corp. v. Schlueter Co., 740 F.2d 1529, 1538-39 (Fed. Cir. 1984) (explaining that allegations of misrepresentations to Patent Office is fraud and must be proved by clear and convincing evidence); Gilbreth Int’l Corp. v. Lionel Leisure, Inc., 587 F. Supp. 605, 616 (E.D. Pa. 1983) (stating that evidence of bad faith must be clear and convincing in order for a case to be “exceptional” within the meaning of § 285, “even though the evidence may fall short of establishing common law fraud”).

**II. Colgate Has Not Established an “Exceptional Case” Under 35 U.S.C. § 285 With Clear and Convincing Evidence.**

Colgate argues that this case is exceptional and warrants the award of attorneys’ fees because Smithkline allegedly: (a) failed to conduct a pre-suit investigation to determine whether the action was “well-grounded” prior to filing; (b) made materially false assertions in

support of its request for injunctive relief; © behaved improperly during discovery; (d) was not always truthful in its representations to the court; (e) breached a cost sharing agreement between counsel; (f) continued the prosecution of this case even after it discovered that its patent may be invalid because of prior art in Europe; and (g) deceived the United States Patent Office (“PTO”). Smithkline argues in response to the various charges against it that its conduct has been objectively reasonable throughout this action.

Although Colgate has presented evidence in support of its request for the award of attorneys’ fees, Smithkline has successfully proffered evidence in opposition such that it cannot be said that there is clear and convincing evidence of misconduct on the part of Smithkline.

#### **A. Smithkline’s Pre-Suit Conduct**

Colgate argues that, because Smithkline failed to conduct a proper infringement analysis before filing this action, it, in essence, filed a frivolous suit. Although Colgate is not seeking sanctions under Fed. R. Civ. P. 11, it asserts that failure to conduct a good-faith, pre-suit infringement analysis makes this an exceptional case under § 285. This court agrees that if this action was found to be frivolous under Fed. R. Civ. P. 11, then it would be the type of exceptional case envisioned by § 285.

Colgate argues that because the prototype that Smithkline procured in order to do its pre-suit infringement analysis had “two notches and a hole” but no “groove on the face opposite the bristles,” the specified limitation in the ‘158 patent, the allegation that their product literally infringed on Smithkline’s was “objectively unreasonable if not palpably absurd” from the outset. (Def.’s Mot. for Att’ys’ Fees at 7). Moreover, even though Smithkline contented that there was literal infringement because it believed that Colgate’s “hole” was actually a “groove,”

this theory of infringement was belied by the fact that Smithkline learned before it filed suit that Colgate's final sales product differed from the prototype in that it did not have the alleged infringing hole. Additionally, Colgate argues that Smithkline did not have a good faith basis for suing under the doctrine of equivalents because the accused final product did not contain anything that could be considered a groove on the face "opposite" the bristles as specified in Smithkline's '158 patent. Finally, Colgate argues that, when Smithkline learned about a prior art Swiss patent, which probably would be the basis for Colgate pleading that the '158 patent was invalid, it should have abandoned its prosecution of this suit.

The court finds that Smithkline has established that, prior to filing this suit, it: (1) obtained a sample of the Colgate toothbrush; (2) hired an outside materials tester to compare the products; (3) examined the relevant patents and reviewed the applicable case law; and (4) generated materials, *e.g.*, graphs and charts, which compared the accused infringing brush to its product.

Because the determination of infringement requires that the patent claims be interpreted and that the claims be found to read on the accused devices, the federal circuit has held that a patent suit is frivolous only if the accuser "conducted no investigation of the factual and legal merits of [the] claims" and/or "rel[ied] on . . . lay opinion." S. Bravo Sys., Inc. v. Containment Tech. Corp., 96 F.3d 1372, 1375 (Fed. Cir. 1996); see also Judin v. United States, 110 F.3d 780, 783-85 (Fed. Cir. 1997) (deeming suit frivolous when "there is no evidence that [patentee] or his attorneys 'compared the accused devices with the patent claims' prior to filing the complaint."). Here, Smithkline has established that, at a minimum, it attempted to determine the meaning and scope of the patent claims asserted to be infringed, and compared claims, using

its construction, to the device accused of infringing. See Markman v. Westview Instruments, Inc., 52 F.3d 967, 976 (Fed. Cir. 1995) (explaining the two-step infringement analysis), aff'd 517 U.S. 370 (1996). The fact that this court ultimately disagreed with Smithkline's interpretation of the scope of its patent, does not mean that the suit was brought without reasonable grounds. See Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49, 60 n.5 (1993) ("The court must remember that '[e]ven when the law or the facts appear questionable or unfavorable at the outset, a party may have an entirely reasonable ground for bringing suit.'"). Although this court's construction of the "groove" limitation in the '158 patent differs from Smithkline's, Smithkline had the right to advocate in good faith a broader construction which would have encompassed the Colgate product.

Smithkline has also cast doubt on the allegation that it knew that there was existing prior art that would have made the '158 patent invalid when Smithkline filed its patent application. The deposition testimony of the brush's inventor, Hans Halm ("Halm"), indicates that Smithkline did not know of the prior art when it began prosecuting the '158 patent. When asked if he thought that his idea was novel, Halm stated that he believed that he was the first to conceive of the flexible head toothbrush "otherwise [he] would not have offered [the idea] to [Smithkline]." (Halm Dep. at 162.).

On this record, Colgate has failed to prove with clear and convincing evidence that Smithkline initiated this action in bad faith and without a proper pre-suit investigation. Therefore, Smithkline's pre-suit conduct does not make this an "exceptional case" under § 285.

#### **B. Smithkline's Request for An Injunction.**

Because statutory relief in damages and/or reasonable royalties provide an

adequate remedy at law for infringement, Colgate correctly states that Smithkline's request for preliminary injunction had to be based on a showing of non-compensable injury such as the loss of market share. Colgate asserts, however, that Smithkline's contentions of "irreparable harm" in support of its motion for an injunction were concocted and materially false. Specifically, Colgate avers that the declaration of Jeffrey Brown ("Brown"), Vice President & Director of Marketing for Smithkline, contained fabrications regarding: (a) Smithkline's market share in Europe; (b) its projected market share in the United States; and (c) the predicted damage to Smithkline's U.S. market share that the launch of the Colgate product would cause.

The numbers offered by Smithkline in support of its request for an injunction were largely predictions, forecasts and, in the case of the European figures, preliminary data. Even if these numbers were proven to be inaccurate, they were not so wildly incorrect when proffered as to brand them intentional fabrications. The essence of Smithkline's argument for injunctive relief was that the introduction of the allegedly infringing product would have an adverse effect on its sales. Colgate has failed to establish by clear and convincing evidence that the data Smithkline produced to advance this point before this court was intentionally and blatantly false. Although Colgate has asserted that the market share figures that Brown recited indeed were incorrect, it has neither offered any data to rebut the numbers proffered nor shown that Brown deliberately attempted to mislead this court or that the court was thereby led into error. Thus, the alleged errors in Brown's affidavit cannot be the basis for establishing this as an "exceptional case" under the Patent Act.

### **C. Smithkline's Alleged Behavior During Discovery**

Colgate contends that Smithkline's conduct during discovery was akin to "a 'how

to’ manual of obstruction.” Specifically, Colgate contends that Smithkline: (a) impaired the taking of depositions by failing to make timely production of relevant documents; (b) interfered with depositions by openly coaching witnesses to deny having knowledge of essential facts and by making numerous objections;(c) refused to serve a formal Rule 34 response to three document requests while repeatedly demanding the same from Colgate; (d) insisted on withholding documents until after the preliminary injunction hearing, and subsequently breached an agreement to turn them over afterwards; (e) concealed data regarding a commercially unsuccessful European version of its ‘158 patent flexible head toothbrush and refused to produce a sample thereof; (f) withheld documents based on the “unfounded accusation” that outside counsel for Colgate had breached an interim confidentiality agreement; and (g) refused to produce its CEO, Manfred Scheske (“Scheske”), for deposition<sup>1</sup>.

In opposition to Colgate’s allegations, Smithkline offers a different version of events. It insists that it neither coached anyone to feign ignorance nor made an inordinate number of objections during Colgate’s taking of depositions. Smithkline also asserts that it did not prepare any formal Rule 34 responses because the parties had agreed in writing to keep discovery “informal” until after the preliminary injunction stage. Further, Smithkline avers that any documents that were “withheld” only were held back until a mutually acceptable protective order could be put in place by this court. With regards to the allegation that Smithkline failed to produce samples of its toothbrush that was “unsuccessfully” marketed in Europe, Smithkline states that: (a) because the brushes were no longer on the market, they could only procure three

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<sup>1</sup> It was alleged by Colgate that the CEO’s testimony would have shed light on the “real reason” why Smithkline brought suit against Colgate.



samples, which were made available to Colgate “for inspection”; and (b) the “flexible head” brush was not synonymous with the invention claimed in the ‘158 patent. (Pl.’s Opp’n to Def.’s Mot. for Att’ys’ Fees at 40-41).

Finally, Smithkline asserts that it did not produce Scheske for deposition because his testimony was not relevant to the issue of infringement.

Smithkline has offered plausible explanations for its behavior and a different, yet credible, version of events. Because Colgate has failed to offer substantive proof, *i.e.*, more than the assertions of counsel, it has not established through clear and convincing evidence a pattern of misconduct during discovery that would make this an “exceptional case” under § 285.

#### **D. Smithkline’s Alleged Lack of Candor In its Arguments to the Court**

Although Colgate regards as dubious many of the arguments presented by Smithkline to the court, it points to one particular instance as the quintessential example of misconduct by Smithkline which makes this an exceptional case worthy of the award of attorneys’ fees. Colgate alleges that Charles Lipsey, Esquire (“Mr. Lipsey”), Smithkline’s lead counsel, vigorously advocated the position that because amendments made to the ‘158 patent application were made to overcome rejection for indefiniteness under § 112<sup>2</sup> and not because of prior art, Smithkline was not barred by prosecution history estoppel from asserting infringement of these abandoned claims under the doctrine of equivalents. Colgate contends that Mr. Lipsey

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<sup>2</sup> Section 112 of the Patent Act provides in relevant part that:  
[t]he specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention. 35 U.S.C. § 112.

made this argument with the knowledge that there was controlling precedent from a case that he had argued, see Loral Fairchild Corp. v. Sony Corp., 181 F.3d 1313 (Fed. Cir. 1999), cert denied, 120 S. Ct. 789 (2000), which, it insists, rejected such an argument as a matter of law.

It is well-established that a patent-holder may not reclaim through the doctrine of equivalents what was surrendered or disclaimed in order to obtain the patent. Warner-Jenkinson Co. v. Hilton Davis Chem. Co., 520 U.S. 17, 30 (1997). Such “[a]rguments and amendments made to secure allowance of a claim, especially those distinguishing prior art,” give rise to what is called “prosecution history estoppel.” Wang Lab., Inc. v. Mitsubishi Elecs., 103 F.3d 1571, 1578 (Fed. Cir. 1997). In Loral, supra, the court was faced with the issue of whether the patent-holder was barred by prosecution history estoppel from asserting that the accused devices infringed its patent under the doctrine of equivalents. Loral, 181 F.3d at 1322. Using the precedent established in Warner-Jenkinson to determine whether the claims surrendered by the patentee were given up because of prior art, the court held that where no explanation is given by the patentee for the claim being surrendered, there arises a rebuttable presumption that the amendment was required. See id. at 1322-23. Loral placed the burden on the patentee to proffer a “reason sufficient to overcome the prosecution history” as bar to application of the doctrine of equivalents. See id. Consequently, a patent-holder asserting a claim of infringement under the doctrine of equivalents is not barred from making the argument. Rather, the patentee has the burden of establishing that the limiting elements added by amendment were done for a reason other than overcoming prior art. The court must then make a determination based on the totality of the evidence surrounding the prosecution as to why the claim was amended. See id. at 1326.

In the present case, because no reason was given at the time amendments were

made to the '158 patent application, Mr. Lipsey offered to this court the explanation that the changes were in response to the PTO's rejection for indefiniteness under § 112. Under this court's reading of Loral, Smithkline was not prohibited as a matter of law from presenting such evidence or from making such an argument. In fact, if Smithkline was barred from doing so, the presumption discussed in Loral reasonably could not be considered rebuttable. Indeed, as an advocate of the position that the accused device infringed under the doctrine of equivalents, Smithkline's counsel had the burden of arguing that the claims were surrendered for a reason other than to meet the requirements of the PTO. Therefore, the court does not find that Mr. Lipsey's argument lacked candor or that his argument was precluded as a matter of law by Loral. In any event, his advocacy cannot provide the basis for declaring that this an exceptional case under § 285.

Colgate also asserts that Smithkline's submission of multiple discovery motions, a motion for a stay, and various other motions and documents following the denial of its preliminary injunction was an attempt to delay this court's consideration of Colgate's summary judgment motion. In a case such as this, it is not unusual for the parties to file numerous motions and/or documents that they feel will aid the court in resolving the issue. There was nothing so overwhelming about Smithkline's submissions, either in volume or character, which would make this an exceptional case.

#### **E. Smithkline's Alleged Breach of An Agreement Between Counsel.**

Colgate contends that Smithkline breached an oral agreement between counsel to split the cost of deposing Hans Halm in his native Germany. It is alleged that although the parties agreed to split evenly the cost of a New York stenographer, her travel expenses to

Germany, and an interpreter who aided in deposing Halm, Smithkline failed to pay its portion, leaving Colgate to pay all bills. Smithkline counters that it merely agreed to consider splitting the deposition expenses and that no agreement was ever made relative to the contended expenses.

Colgate has failed to produce any evidence, such as a written correspondence, that shows that there was indeed a firm understanding to split all expenses and that that subsequently understanding was violated. As such, the court will not rely solely on Colgate's allegation of an agreement and a breach to brand this case "exceptional."

**F. Smithkline's Continuation of the Case After the Alleged Discovery of Prior Art.**

Colgate alleges that Halm admitted during his deposition that Smithkline knew that there existed "prior art" in Europe which would render the '158 patent invalid "long before starting this action." (Def.'s Mot. for Att'ys' Fees at 21). Smithkline asserts in opposition that Colgate's interpretation of Halm's deposition testimony is erroneous because he clearly believed that he was the first to conceive of the idea of a flexible head toothbrush. As stated earlier, an objective reading of Halm's deposition supports the conclusion that he was unaware of prior art at the time Smithkline initiated prosecution of the '158 patent. Colgate has not proffered clear and convincing evidence that, despite knowing that there was prior art, Smithkline pursued the '158 patent. Thus, there is no basis for finding this case to be "exceptional" in this regard.

**G. Smithkline's Alleged Misconduct Before the Patent Office.**

Where the defendant in an infringement suit has established that the patentee-plaintiff has displayed bad faith in dealing with the PTO, courts have held that such defendants are entitled to reasonable attorneys' fees in conjunction with their defense. See American Can Co. v. Crown Cork & Seal Co., Inc., 693 F.2d 653, 657 (7th Cir. 1982) (stating that circuit has

awarded fees when the patentee was guilty of bad faith or fraud in asserting the validity of his application); Plastic Container Corp. v. Continental Plastics of Oklahoma, Inc., 607 F.2d 885, 907 (10th Cir. 1979) (stating that entitlement to attorney fees arises from “such misconduct upon the part of the losing party as to constitute fraud on the Patent Office”). However, innocent or negligent omissions or misstatements before the PTO do not justify the award of fees. Accord American Can Co, 693 F.2d at 657.

*A. Motion for a Stay of this Proceeding*

Colgate alleges that Smithkline deceived the PTO by making deliberate omissions and false statements, as well as remaining silent in the face of a duty speak. Specifically, Smithkline is alleged to have misled the PTO into believing that the court was going to grant its motion for a stay in order to expedite the PTO’s review of Smithkline’s reissue application. Further, it is alleged that when Smithkline found out that its stay motion was denied, it failed to inform the PTO of such.

Smithkline’s reissue application was filed on July 28, 1999. On August 3, 1999, Smithkline filed a motion for a stay in this court pending the outcome of the reissue proceeding before the PTO. That same day, in an application seeking a waiver of the 60-day public notice period, Smithkline stated that it had “sought” a stay of the infringement litigation from this court – not that a stay had been granted or even that a stay was likely. (Pl.’s Pet. to Suspend the Delay Provision of 37 C.F.R. § 1.176 for Reissue Application). The waiver sought was granted in August, 1999; this court denied Smithkline’s stay motion on October 13, 1999.

On this record, it cannot be said that Smithkline deceived the PTO when it informed them merely that it was seeking a stay in this court. There is nothing deceptive in that

statement. Further, as the waiver from the PTO was granted over a month before this court ruled on the stay motion, there was no deceit in Smithkline not informing the PTO that its stay motion was denied because, at that point in time, it was of no legal consequence.

*B. Dr. Gary Loomis' Declaration*

Colgate also alleges that Smithkline attempted to mislead the PTO in its submission of a declaration filed in connection with its reissue application.

One of the limitations in the Swiss flexible head toothbrush patent describes the material used to produce the flexibility in its brush as “Alathon,” a product of E.I. DuPont. (Swiss Patent 460705). The flexibility in Smithkline’s ‘158 patent is achieved by the use of an “elastomer,” a synthetic polymer with rubber-like properties. During the reissue process, Colgate charged that “Alathon” was an “elastomer.” If Alathon was indeed an elastomer, the ‘158 patent could be invalid based on the prior art Swiss patent. Smithkline submitted a declaration to the PTO in which Smithkline’s technical expert, Dr. Gary Loomis (“Dr. Loomis”), opined that Alathon is not an elastomer. Dr. Loomis concluded that Alathon was a polyethylene resin with more rigid, plastic-like flexibility – not rubber-like – thus excluding it from the category of elastomers. Colgate contends that the name “Alathon” is also associated with an ethylene/vinyl acetate copolymer, “Alathon EVA,” which is promoted as a rubber replacement and that Dr. Loomis intentionally made no mention of this association in an attempt to deceive the PTO.

The Swiss patent specifically refers to “Alathon,” not “Alathon EVA” as the source of its brush’s flexibility. Dr. Loomis’ declaration, understandably, discusses the properties of “Alathon” only. This court does not find that Loomis deceptively omitted relevant information. Rather, Loomis provided information relevant to distinguishing the Smithkline

patent from the Swiss patent by discussing the limitation then at issue. Colgate has produced no evidence to suggest that Alathon and Alathon EVA are used interchangeably by persons knowledgeable about the properties of each. Therefore, there is no basis for finding that the omission of information regarding Alathon EVA was an act of deceit on Smithkline's part. Consequently, the court finds that Smithkline's conduct before the PTO does not make this an exceptional case under § 285.

### **CONCLUSION**

Colgate has not established through clear and convincing evidence that Smithkline engaged in behavior that would make this case exceptional under 35 U.S.C. § 285. The motion for the award of attorneys' fees is denied.

An appropriate order follows.

SMITHKLINE BEECHAM :  
 CONSUMER HEALTHCARE, L.P. :  
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 v. :  
 :  
 COLGATE-PALMOLIVE CO. : CIVIL NO. 99-2533

AND NOW, this \_\_\_\_ day of May, 2000, for the reasons stated in the attached memorandum, it is hereby ORDERED that Colgate's Motion for Attorneys' Fees Under 35 U.S.C. § 285 is DENIED.

JAMES T. GILES                      C.J.

16